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Collective bargaining in public education differs significantly from collective bargaining in private industry. Whereas bargaining tends to be bilateral between employers and employee organizations in the private sector, it tends to be multilateral (more than two groups involved) in education. Economic analysis gives an explanation for this difference. Two sources of demand occur for public education: User demand for direct personal benefits of education, and nonuser demand for social benefits of education. User demand tends to be more intensive and less sensitive to changes in cost than nonuser demand. These conflicting demands must be reconciled by a political process because shares of the cost of public education are not related to use of, or direct benefit derived from, the system. When collective bargaining occurs on salaries, the reconciliation of these demand interests is often reflected in multilateral bargaining. That this is so derives from the nature of a public good for which no reasonably priced alternative is available. With private goods, the consumer can switch his demand to other suppliers if the price is too high, but with education all taxpayers are required to pay, regardless of whether they benefit directly from the service. (TT)

THE ECONOMIC BASIS OF MULTILATERAL BARGAINING IN PUBLIC EDUCATION*

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THE ECONOMIC BASIS OF MULTILATERAL BARGAINING IN PUBLIC EDUCATION

Prior to 1962, no board of education in the United States was required by law to negotiate with its teachers, and only a handful of boards of education had signed written collective bargaining agreements. By 1968, however, dramatic changes had taken place. Ten states had passed laws requiring school boards to engage in some type of negotiations with their teachers. Over 1,500 school boards had written negotiations procedures. The two national teacher organizations, the National Education Association and the American Federation of Teachers, had made important changes in their policies on collective bargaining. Even more important, citizens and educators were astonished by the rash of teacher strikes and work stoppages, including a three-week state-wide strike in Florida and a thirty-six day stoppage in New York City.

Collective bargaining (or collective negotiations) in public education differs significantly from collective bargaining in private industry. This paper utilizes economic analysis to explain why collective bargaining in education tends to be multilateral in nature rather than the more traditional bilateral bargaining between employers and employee organizations in the private sector.

The multilateral nature of collective bargaining in the public sector has been alluded to by many commentators, but the distinction from the bilateral approach which frequently characterizes private sector bargaining has rarely been explicitly discussed.[1] By definition bargaining is multilateral when more than two groups are involved in the bargaining process. It is possible for the additional parties to participate in the negotiating sessions, but typically the third party groups operate on the fringe of the bargaining. In order for these groups to influence bargaining, they must be in a position to impose a cost (economic, political or otherwise) on the parties to the agreement.[2]

The typical multilateral nature of bargaining in the public sector is usually attributed to the pricing characteristic of the market for a public

service. Some public services are supplied at no direct cost to the consumer as in the case of public education and police protection; other services are provided at a price below the average cost of providing the service. In either case consumers are to some extent being subsidized.

The subsidy is borne out of tax revenues which are provided by both users and nonusers of the service. Consequently, taxpayers will have an interest in any labor-management negotiations which are likely to raise the cost of the service and which may also increase the cost of financing the subsidy. If taxpayers are organized into groups which represent their views to decision-makers and threaten to impose a political cost, it is likely that there will be a substantial though perhaps indirect effect on negotiations.

The Demand for Public Goods

The demand for labor inputs used to produce a good or service is derived from the demand for that good or service. Bargaining for the price of these inputs will, in part, reflect the nature of the output demand. One unique aspect of public goods is that they display external benefits or externalities. For example, a public program providing free chest x-rays benefits the entire population as well as the individual receiving the x-ray. Individuals benefit when their illness is discovered and treated; the community benefits since those treated will no longer infect others. The latter effect of community protection is known as an external benefit. These externalities justify public sector activity and cause differences between the private and public sectors in the bargaining for labor.

In the private sector, goods sold for the satisfaction of individual wants or desires are divisible and have few or no externalities. As a result, they are subject to the exclusion principle under which the consumer is excluded unless he is willing to pay the market price for the good.[3] In this case, the demands of individuals are usually assumed to be summed horizontally to determine

the market demand for the product. At given prices, the demand curve for a product reflects the sums of the quantities demanded of the buyers in the market. The market price and quantity demanded (supplied) result from the interaction market supply and demand. Thus, whether a monopoly or purely competitive market is involved, with two or more buyers who may wish to consume different amounts, the market adjustments to an equilibrium price and quantity can be made.

This type of adjustment for private goods, subject to the exclusion principle, cannot be drawn for public goods or goods to meet social wants. Such goods are often characterized by indivisibility and dominant externalities. All consumers of public goods frequently must consume equal amounts and are subject to a tax structure which finances the service. As a result, the community usually has a large number of persons who are organized in interest groups or parties with few representative voices. Judgment on the part of representatives may result in multilateral bargaining which reconciles the differing preferences of various groups for public goods and services.[4]

The Demand for Public Education

Like other public goods, public education is characterized by a high degree of externality. Both users and non-users share in the benefits of a well-trained, well-educated, productive society, and all share equally in the externalities that result. Individuals may differ in their preferences (demands) for these externalities in the same way that they may differ in their assessments of benefits from other public goods and services like national defense.

On the other hand, public school systems do not provide equal benefits for all; only the externalities may be shared equally. The users of the system, the students, receive individual benefits that exceed and differ from the externalities resulting from such a system. These individual benefits are similar to private goods in that users who can obtain more or better education may be willing to pay more. Even if they cannot exclude other users in the

community from equally sharing such increases, they will individually receive greater benefits partly at the cost of non-users who share only in the externalities. Further, an increase in the number of users is likely to increase total demand in a way similar to an increase in the number of consumers of a private good even if no exclusion principle is applicable to users.

Two sources of demand for public education thus occur: the non-user demand for externalities derived from a public school system, and the user demand for the education offered by the system. The non-user demand is likely to be lower (less intensive) and more elastic, or more sensitive to changes in cost. The user demand, on the other hand, is more likely to be very intensive and relatively inelastic. These sources of demand or sets of preferences must be reconciled by a political process because shares of the cost of public education are not related to use of or direct benefit derived from the system. When collective bargaining occurs on salaries or the price of the input, the reconciliation of interests is often reflected in multilateral bargaining.

Assignment of fiscal authority to a city council or county commission may encourage such polarization of interests. A school board may be subject to taxpayer pressures directly and through supportive government units to reduce budget growth, and it may be under user pressure to increase spending. The school board is thus dealing, during negotiations, with a union and with one or more pressure groups or lobbies whose educational aims and budget goals may conflict.

The multiple motives that lie behind the demand for public education and the political process by which that demand is expressed leads to multilateral bargaining. The teachers' negotiators may be reinforced by pressure from user groups who may even have their own representatives on a school board. The school board, with a public mandate to minimize costs as part of efficiency in providing quality education, may be reinforced by taxpayer groups whose major motive may be budget restriction and who also may have their own representatives on a school board.

Multilateral Bargaining

The extent of multilateral bargaining varies among public services. It is expected, for example, that interest group activity associated with multilateral bargaining will be less for police, fire and garbage collection service than in education and social welfare services. Figure I compares the expected interest group activity (and the potential multilateral impact) during negotiations for the private sector and for selected public services in urban areas. For both the private and public sectors, interest group activity tends to increase as the strike deadline approaches, rises sharply after the strike starts and gradually levels off as consumers find alternate sources of supply for the service.

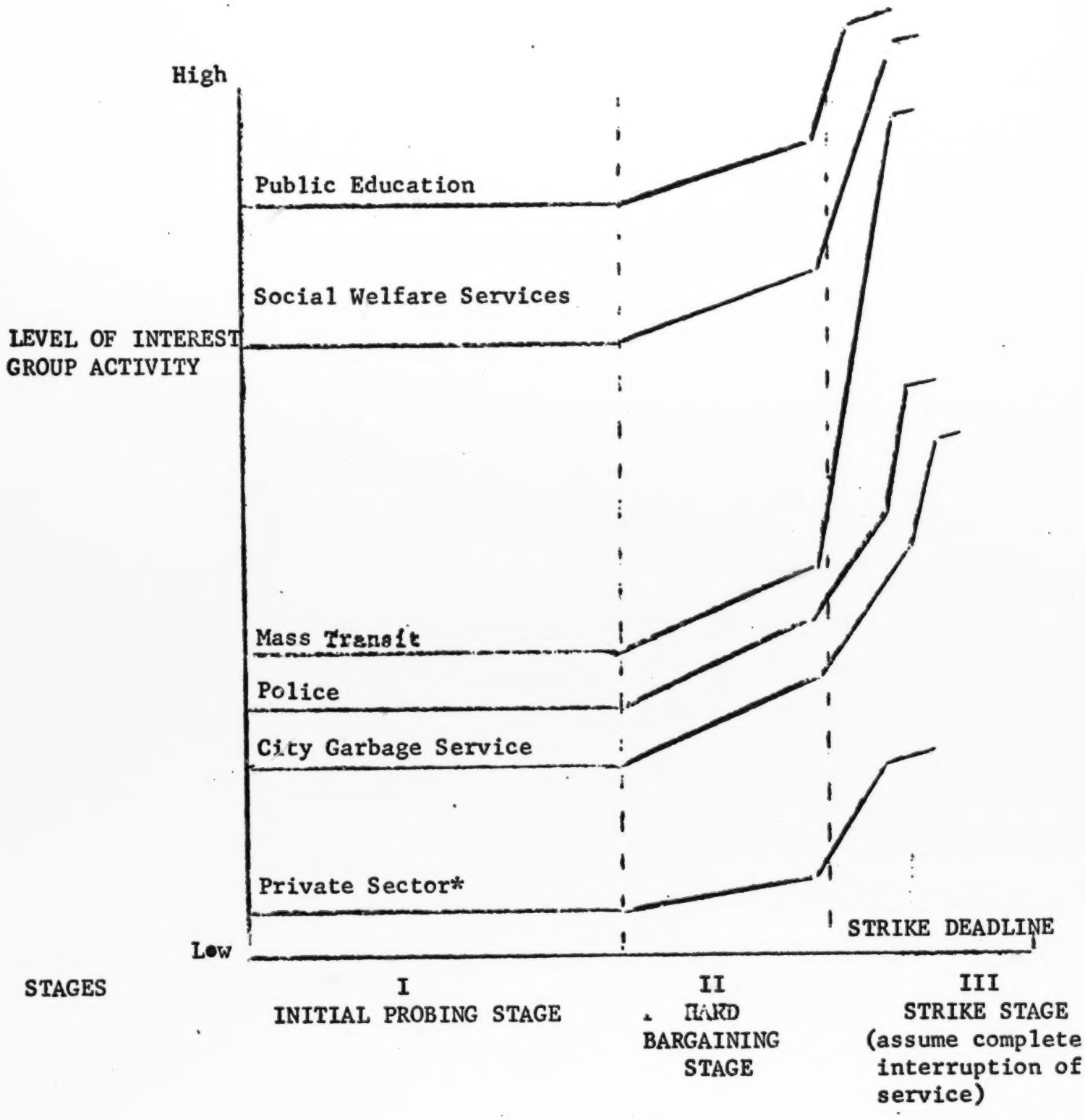
There are several reasons for the extensive interest group activity in education compared to other public services. Whenever the quality of the service is of considerable importance to consumers, interest group activity will be relatively high. Clearly in education many features of the supply of service, such as class size, teachers' salaries, and qualifications of the faculty, affect the quality of the public service. Consequently, the level of the interest group activity in public education is expected to be high.[5]

By contrast, in the private sector, the consumers' concern for product quality is in most cases expressed by purchasing alternative products. For some public services quality is not as important as in education. In garbage collection, for example, consumers are likely to be more concerned with interruption of service than with quality. As a result, third party activity only becomes significant after the strike has occurred.

The existence of a well-defined interest group structure also is likely to facilitate multilateral bargaining. In public education the established tradition of encouraging organization of parents provides a basis for an interest group structure. Because of the widely acknowledged problems in urban school

FIGURE I

EXPECTED INTEREST GROUP ACTIVITY IN URBAN AREAS



*For explanatory purposes, it is assumed that the private sector is a homogenous group of producers. In practice, the perceived impact of an interruption of services varies among products. Consequently, it would be more accurate to represent the private sector with several different curves.

systems and the changing racial composition of student populations, many "civil rights" type interest groups have become increasingly concerned with problems of quality in these districts. A similar analysis would show the development of an interest group structure in the supply of welfare services.

The scope of bargaining, which varies within the public sector, also explains some variations in multilateral bargaining. For example, federal employees do not bargain on wages, while some groups of social workers have attempted to bargain on aspects of their professional relationship with clients. Obviously, interest groups will be more active in negotiations if the topics being negotiated relate to their major goals.

In education, if community groups are interested in faculty integration, pressure may be applied to negotiate a teacher transfer clause which gives the school board considerable authority to reassign teachers within the system. It is likely that in education more than any other public service the bargaining issues (class size, teacher transfer, experimental schools, paraprofessionals in the classroom) are of direct concern to the consumers of the service.

Conclusion

The community's demand for public education, then, is the result of different sources. That demand, given a supply of resources for education, helps determine budget size, salary levels and employment in a school district. Emphasis is placed upon the combination of conflicting interests expressed through the political process as a source of community demand for education. This combining of conflicting interests contrasts sharply with the singularity of purposes that form the basis for demand in the private sector. In public education, all taxpayers are required to pay for the service, regardless of whether their children attend the public schools and thus benefit directly from the service. Prices do not perform their typical rationing function. The taxpayer cannot switch to another supplier without incurring tremendous costs. As a result, political

pressure (either individually or through interest groups) is the major means available to taxpayers to influence the price and quality of the product. At times, school board members represent separately identifiable groups of citizens within the community.

The lack of reasonably priced alternative services and the emphasis on political pressure provide a unique environment for collective bargaining with teachers. Multilateral bargaining, either directly or indirectly, occurs frequently on salaries because they form a major part of the total school budget. Non-economic issues of social or political significance, such as decentralization and racial integration of teachers or students where methods or goals are subject to political conflict, are also likely to result in multilateral bargaining when they become topics of negotiations.

FOOTNOTES

[1]See for example, George H. Hildebrand "The Public Sector" in John T. Dunlop and Neil W. Chamberlain (ed.) Frontiers of Collective Bargaining, (New York: Harper and Row, 1967), pp.126-28.

[2]It has even been argued that bargains can frequently be struck when there is no communication between the bargainers, simply by tacit observation on the part of both parties of some salient feature of the situation. The same reasoning can be applied to third party involvement in the bargaining process. See: T.C. Schelling, The Strategy of Conflict (Cambridge: Harvard University Press, 1960), quoted in Kenneth E. Boulding, Conflict and Defense (New York: Harper and Brothers, 1962), p.314.

[3]Richard A. Musgrave, The Theory of Public Finance (New York: McGraw-Hill Book Co., 1959), p.9.

[4]Ibid., p.80. See also: J.M. Buchanan, The Demand and Supply of Public Goods (Chicago: Rand McNally and Co., 1968), pp.39-46. The nature of the forces and process in determining demand for a public good differ from those involved in demand for a private good, but they can still be accounted for in models of public sector demand.

[5]For a theoretical discussion of this point see Kenneth McLennan and Michael H. Moskow, "Multilateral Bargaining in the Public Sector," (Madison, Wisconsin: Proceedings of the Industrial Relations Research Association 1968).